

12 AUG 1948

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TOP SECRET

GENERAL

1. UK advocates withdrawal from Danube talks prior to vote--
US Embassy London reports the opinion of the British Foreign Office that the US, the UK, and French delegations should not be present when the final vote on the Danube Convention is taken at the Belgrade Conference. The Foreign Office believes it would be difficult subsequently to protest the legality of the Convention, if the west participates in the final vote on its adoption. Bevin has instructed the UK Embassy Washington to express these views urgently to the Department of State.

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(CIA Comment: The UK probably intends to submit to the International Court of Justice the question of validity of the 1921 Danube Convention. This intention is apparently leading the British to give careful consideration to legal technicalities, because both the British and French were signatories to the 1921 Convention while the US was not.)

2. Arab feeling against Transjordan seen as threat to UK-- US Ambassador Douglas in London transmits a report from the British Minister in Amman expressing concern over the "precarious" position of the UK in Transjordan and pointing out that Syria, Iraq, and the Arab League's Secretary General are currently charging that the Arab Legion has been immobilized by "British treachery." The Minister feels that the main danger is the possibility of a Jewish attack, which would find the Arab Legion lacking artillery and mortar ammunition with which to resist. The Minister asserts that many Arab states would rejoice in the downfall of Transjordan as proof that a country loyal to the UK can hope for nothing. The Minister adds that, if disaster overtakes Transjordan while the UK withholds ammunition, the British might as well abandon their policy of building defensive alliances in the Near East.

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(CIA Comment: If Israeli forces attack Transjordan, the UK will almost certainly honor its treaty obligations with that country. The UK is already considering stockpiling some armaments in Transjordan and Iraq which would be released to the governments concerned only in event of attack, apparently from any source.)

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NO CHANGE in Class.

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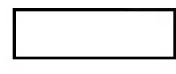
EUROPE



4. SOVIET UNION: Molotov protests "kidnapping" of teachers--US Ambassador Smith reports that Molotov called him to the Foreign Office at midnight on 11 August to read a vigorously-worded protest on the alleged kidnapping of two Soviet school teachers. Smith replied that he had not been informed officially by the US Government of the purported incident, and he categorically denied the allegation that the US Government was involved in any illegal acts. Smith added that the man and his family mentioned in the Soviet note could return to the USSR if they so desired.

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5. FRANCE: Reorganization in Communist Party--US Embassy Paris observes increasing signs that an important shake-up in the French Communist Party is in preparation. The Embassy says that it is not yet clear how drastic this shake-up may be or whether a major Party purge is taking place. The Embassy believes that the Communists are preparing to engage in "vigorous action" during the election campaign this fall.



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NEAR EAST-AFRICA

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6. PALESTINE: Mediator's warning on truce violations--US Consul General Macdonald reports from Jerusalem that UN Mediator Bernadotte has presented a strong letter to both Jews and Arabs regarding truce violations in Jerusalem and has threatened to refer the matter to the Security Council unless conditions improve. Macdonald agrees with Bernadotte that the Jews have been more aggressive than the Arabs in violating the truce. Macdonald suggests that because the Jews are sensitive to criticism and public opinion, they might be directed toward better cooperation in maintaining the truce if the UN, and especially the US, were to criticize them publicly for their failure to assist in finding a solution for the Palestine problem.

FAR EAST

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7. CHINA: Major changes "not far off"--US Embassy Nanking reports that the situation in China continues to deteriorate and that, even though there is a "faint glimmer of hope," the tide continues to run against the National Government. The Embassy observes that while Chiang Kai-shek is universally criticized for his ineffective leadership, no one can suggest any one to take his place, and that he is the one who holds the country together. Unless a "miracle" maintains Chiang in power, the Embassy expects some kind of accommodation with the Communists, or a regional breakup, or, most likely, a combination of the two. The Embassy cautions that the moment of crisis may not be far off.

(CIA Comment: CIA concurs in general with the Embassy's analysis; [redacted] However, CIA does not exclude the possibility that Vice President Li Tsung-jen might come into power in the National Government as head of an association of regional leaders who, with continued US aid would probably be capable: (a) of staving off complete disintegration; and (b) of resisting the spread of Communism at least as effectively as the present National Government.)

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